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Social Security:
Challenge to Democracy

A Radio Discussion by

- NEIL JACOBY
- MAYNARD KRUEGER
- CLYDE WHITE

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ROUND TABLE

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NOTE

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Social Security:
Challenge to Democracy

A UNIVERSITY OF CHICAGO ROUND TABLE

BROADCAST COAST TO COAST BY
THE NATIONAL BROADCASTING COMPANY
SUNDAY, DECEMBER 20, 1942, AT 1:30 P.M., C.W.T.

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NEIL H. JACOBY, School of Business; Secretary, University of Chicago

MAYNARD C. KRUEGER, Department of Economics, University of Chicago

R. CLYDE WHITE, School of Social Service Administration, University of Chicago

The ROUND TABLE, oldest educational program continuously on the air, is broadcast entirely without a script, although participants meet in advance, prepare a topical outline, and exchange data and views. Subjects are chosen because of their social, political, or economic significance. The program has no "ax to grind." In the selection of speakers, the effort is to provide a balanced discussion by participants who have special competence and knowledge. The opinion of each speaker is his own and in no way involves the responsibility of either the University of Chicago or the National Broadcasting Company.

Social Security:
Challenge to Democracy

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Recently, Sir William Beveridge presented to the British government a new social security plan. Since its announcement, the Beveridge Report, which greatly expands and centralizes British social security, has been the subject of wide discussion in Britain as well as other nations of the world.

Should the government protect and support every citizen on a minimum standard from the cradle to the grave? Should health insurance and medical treatment of every kind be the right of every citizen? What about the other new provisions?

Does an all-out social security system necessitate a planned economy? Does it destroy incentives? Should we talk of larger plans than mere social security after the war?

How much of the Beveridge Report ought the United States to adopt? What should be the role of social security in the United States?

To discuss the Beveridge Report and America's Social Security problems, the ROUND TABLE *presented three expert observers.*

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MR. KRUEGER: It's very interesting to me that in Great Britain, in the midst of a tremendous war, the people are right now all agog about a program for the provision of social security—about an internal reform program, the Sir William Beveridge Report.[1]

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[1] The Report on Social Security by Sir William Beveridge was presented to the English Parliament on December 1, 1942. In relation to planning for peace in war, Sir William Beveridge said:

Mr. Jacoby: I think that it's a fine thing that we have the courage and the foresight to look to these long-run reforms during the war. It shows the vitality of a democratic system. But at the same time I deplore this preoccupation—this concentration of attention—on problems of security. It would have been much more en-

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". . . . There are some to whom pursuit of security appears to be a wrong aim. They think of security as something inconsistent with initiative, adventure, personal responsibility. That is not a just view of social security as planned in this Report. The plan is not one for giving to everybody something for nothing and without trouble, or something that will free the recipients forever thereafter from personal responsibilities. The plan is one to secure income for subsistence on condition of service and contribution and in order to make and keep men fit for service. . . . . There are some who will say that pursuit of security as defined in this Report, that is to say income security, is a wholly inadequate aim. Their view is not merely admitted but asserted in the Report itself. The Plan for Social Security is put forward as part of a general programme of social policy. It is one part only of an attack upon five giant evils: upon the physical Want with which it is directly concerned, upon Disease which often causes that Want and brings many other troubles in its train, upon Ignorance which no democracy can afford among its citizens, upon the Squalor which arises mainly through haphazard distribution of industry and population, and upon the Idleness which destroys wealth and corrupts men, whether they are well fed or not, when they are idle. . . . . The Plan for Social Security is first and foremost a method of redistributing income, as to put the first and most urgent needs first, so as to make the best possible use of whatever resources are available. That is worth doing, even if the resources as a whole are insufficient for the standard of life that is desired. But it must be realised that nothing materially below the scales of benefit and pension suggested here can be justified on scientific grounds as adequate for human subsistence. Benefits, allowances or pensions below the proposals of this Report may merely mean that the cost of unemployment or sickness or childhood is being borne not directly in cash, but indirectly in privation and lowered human efficiency.

"There are yet others who will say that, however desirable it may appear to reconstruct social insurance or to make other plans for a better world of peace, all such concerns must now be put on one side, so that Britain may concentrate upon the urgent tasks of war. . . . . This does not alter three facts: that the purpose of victory is to live into a better world than the old world; that each individual citizen is more likely to concentrate upon his war effort if he feels that his Government will be ready in time with plans for that better world; that, if these plans are to be ready in time, they must be made now.

"Statement of a reconstruction policy by a nation at war is statement of the uses to which that nation means to put victory, when victory is achieved.

couraging to me if the British government had appointed a commission to look into the increasing of opportunities for the average man in Great Britain—a situation that's been sadly lacking for many years.

MR. WHITE: The two things are not incompatible, but social security has to go along with planning opportunities. We in this country have about half as much in the way of social security measures as the Beveridge Plan proposes for Britain, and we are a wealthier country than Britain—potentially, at least.

MR. JACOBY: It's quite true that they're not incompatible, but I say let's do first things first. The provision of greater opportunity is a far more important thing than more security.

MR. KRUEGER: I can see that we're going to have a little bit of argument here later with Mr. Jacoby deploring this increased interest in social security and Mr. White welcoming it. Before we get into that, if you'll hold your horses for a moment, let's raise this question: Why is there this increased interest in social security?

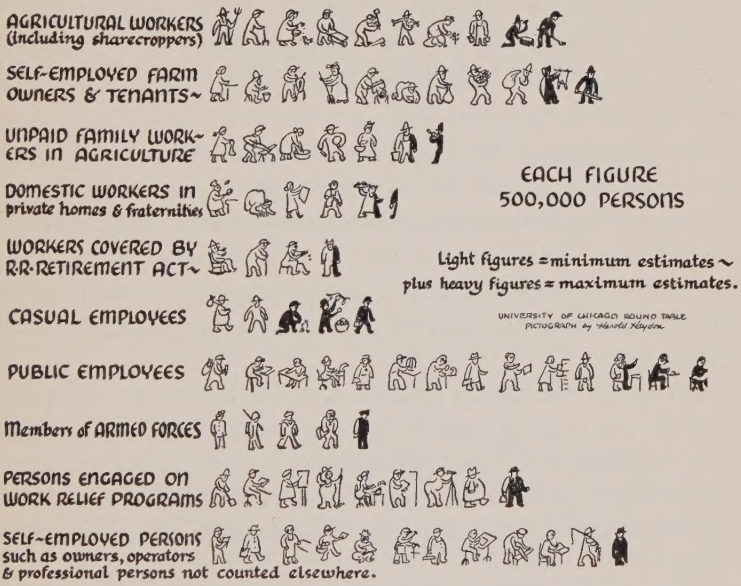
MR. JACOBY: I think that one answer at least is that freedom from want is one of the Four Freedoms—one of the broadly formulated war aims of the United Nations.

MR. KRUEGER: You mean that people are beginning to take freedom from want seriously?

MR. JACOBY: I think that they always have, and I think that

. . . . The fifth clause of the charter [The Atlantic Charter] declares the desire of the American and the British leaders 'to bring about the fullest collaboration between all nations in the economic field, with the object of securing for all improved labour standards, economic advancement, and social security.' The proposals of this Report are designed as a practical contribution towards the achievement of the social security which is named in the closing words. The proposals cover ground which must be covered, in one way or another, in transplanting the words of the Atlantic Charter into deeds. . . . . They are a sign of the belief that the object of government in peace and in war is not the glory of its rulers or of races, but the happiness of the common man. . . . ." From *Social Insurance and Allied Services*, report by Sir William Beveridge, New York: Macmillan Co., 1942, pp. 170–171.

NOT COVERED BY OLD-AGE OR SURVIVORS INSURANCE IN THE UNITED STATES, 1941*



* Estimated number of persons engaged in services excluded from participation in the old age and survivors' insurance program at some time during 1941. Source: Social Security Board.

the Beveridge Report in Britain is one method of spelling out—of implementing—a set of social arrangements under which freedom from want can exist. But, as I said before, I think that it's sadly lacking, because it doesn't tackle the problem of freedom from want in the right way.

MR. WHITE: I think that there's something else. This social security movement is not new. Far from being revolutionary, it's been the result of a very slow evolution.

The first social insurance measure was adopted in 1883. At the

present time there are sixty-five countries that have accident insurance; there are thirty-seven that have maternity insurance; there are twenty-five with unemployment insurance; there are thirty-seven with sickness insurance; and there are ten countries in the world that have seven different varieties. Apparently, much to the disgust of the Nazis, some of these countries that have had so much social insurance are the Nazi's own particular enemies, such as Poland and Czechoslovakia.[2]

MR. KRUEGER: It not only covers a long period but the development of social insurance covers a great deal of geography.

I agree with you that this social insurance business is by no means revolutionary. As a matter of fact, in 1791, Thomas Paine, one of the Fathers of the American Revolution, proposed a social security plan which had almost as wide a coverage as the Beveridge Plan has today.[3]

But one of the reasons that I would add why people are interested in social security now is that they're fighting a big war, and a lot of people want to know what they're fighting the war for—want to have it spelled out in terms of something practical. I think that that's why the Beveridge Plan is as popular in England as it is today.

MR. JACOBY: Yes, but I think that the boys in the fighting forces would have felt much more encouraged had they thought that their government was more preoccupied with the task of finding jobs for them than of providing more adequate doles for them.

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[2] Social insurance laws were adopted by various counties in the following years:

Period	National Laws
1880–89	12
1890–99	9
1900–09	22
1910–19	48
1920–29	74
1930–39	52
1940–42	35

[3] *The Rights of Man.*

Mr. White: There isn't anything that I see to keep the government from finding a way to provide jobs for the boys when they come back from the army, but it must do this other thing in case they can't find jobs every day or two.

Mr. Jacoby: There's another explanation, I believe, for the increased interest in social security. That is, as society has advanced and become more complex, and individuals' relationships become more complicated, we each have a greater feeling of dependence upon the other fellow. We feel less confident in our own ability to accumulate a fund that will provide our own individual security. The state, in a sense, must act as guardian for the individual as society becomes more complex.

Mr. Krueger: It's also true that people no longer believe that poverty is necessary. People, in large numbers, no longer believe that poverty is even tolerable. It once used to be considered tolerable, but not any more.

From the standpoint of the defenders of the *status quo*, I think that there's another reason why people are interested in social insurance now and have been for the past generation. A hundred years ago, in an argument on a reform bill in Great Britain, one of the English lords made this statement on reform (and it seems to me to be essentially the conservative position even today): "With regard to reform, ... if it could be resisted *entirely*, it would be the preferable course; but is it not wise to consider what hope now remains of being able to do so, and whether it is not well to give up a part to save some part?" So that even on the conservative side you have a fairly substantial inclination to make some concessions, to give up a part of privilege in order to save the rest of its privileges.[4]

Mr. White: I think that the noble lord probably stated the question accurately, but it seems to me that the change comes about

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[4] In 1831 Lord Hertford, discussing the Reform Bill which was passed the next year, thus stated his position.

gradually in that fashion anyway unless it's a revolutionary change, and revolutionary change is always destructive.

MR. JACOBY: There's one very fundamental question in this field, and that is: Whose responsibility is security for the individual?

Perhaps one can say that there are three agencies of security. The individual can provide for his own security by saving and creating a fund of investment; or his employer might be responsible —that is, the large firms devise their own pension systems and accident and benefit systems; or, third, the state can do the job.

I would accept the principle of the Beveridge Report that the state should provide a minimum in all of these fields and that the employer's responsibility and the individual's responsibility, under present conditions, should be to supplement that of the state.

MR. KRUEGER: I think that the day's far gone when the individual can meet the problems of security. I think that the record of employers' meeting the problem is very bad, not only because they didn't show very much interest in it, but because most employers cannot possibly solve the problem of security for their employees. From here on out, the problem of security is primarily a problem of public responsibility.

MR. JACOBY: I disagree with you on the point that business management has never been interested in the problem of security. I think that the interest of business management in that subject is now greater than ever before.

One illustration. The magazine, *Fortune*, that presumably speaks for big business, came out very flatly last month for bigger and better social security in the United States after the war.[5]

MR. WHITE: Yes, but I think that *Fortune* expects the state, or the government rather, to undertake the organizing action in order to attain a system of social security.

MR. JACOBY: I think that that's necessary, don't you?

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[5] See *Fortune Supplement*, December, 1942.

MR. WHITE: Yes, I do. But it brings in the employer and the employee as a part of the plan.

MR. KRUEGER: I think, too, that the position of *Fortune* magazine represents a minority within the business community, but that will show up when this question really comes up and gets to be a "hot" question in the United States, as it undoubtedly will shortly now.

MR. JACOBY: I disagree, but it's a matter of opinion.

MR. KRUEGER: We had better, before going further, lay out a few of the facts concerning the Beveridge Plan. On coverage, the Beveridge Plan, as I understand it, covers almost everybody. Isn't that right?[6]

MR. WHITE: Yes. It doesn't leave out very many people, and it doesn't leave out very many of the common hazards of life.

MR. KRUEGER: It covers everybody irrespective of income, and it brings in and covers some new hazards that had not been covered before.

MR. JACOBY: Yes. Notably it covers the full field of medicine and medical care. Under the Beveridge scheme, that phase of activity will be the responsibility of the state, and no longer remain in private hands.[7]

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[6] "The plan covers all citizens without upper income limit, but has regard to their different way of life: it is a plan all-embracing in scope of persons and needs, but is classified in its application. . . . ." From *The Beveridge Report. Summary of the Plan.*

[7] ". . . . Medical treatment covering all requirements would be provided all citizens by a national health service organized under health departments, and post-medical rehabilitation treatment will be provided for all persons capable of profiting by it. . . . .

"Medical treatment at present provides the service of a general practitioner for an insured man only with additional treatment and benefits in some cases. The plan envisages comprehensive treatment, including hospital, dental, ophthalmic and convalescent homes for a whole family and the cost of medical rehabilitation." *Ibid.*

Another interesting extension of the coverage in the Beveridge Report that occurs to me is that of children's allowances. Whenever a family is getting paid a pension, whether for old age or unemployment, the child gets a special earmarked allowance.

MR. KRUEGER: That to me is one of the most important things that there is in the Beveridge Plan. The notion that poverty had to be the price of parenthood is one that I think is going by the board. I think that a great deal of poverty at low-income levels is attributable to children and that the institution of a set of children's allowances represents one of the major attacks on the poverty problem.[8]

MR. WHITE: Britain, I think, has to give attention to that because their population is threatening to decline. Our increase in population is also slowing down a great deal. Therefore, the state has to come in and say that if the parent can't provide adequately under the existing economic system, then it's to the interest of the whole community to provide for the child.

MR. JACOBY: Don't you think that that very point—protection for the family—underlies the provision in the Beveridge Plan for payments at maternity, for payments at marriage, and for funeral benefits?

MR. WHITE: Yes. I see no other reason for having those provisions in there.

MR. KRUEGER: The Beveridge Plan brings housewives into the social security scheme—makes them a legitimate part of the whole social security setup. It seems to me that that is one of the most important aspects of it. Under the American system, and under the old British system, housewives had no status.

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[8] ". . . the fifth [population below working age] would be covered by children's allowances paid from the Exchequer in respect to all children when a responsible parent is in receipt of an insurance benefit or pension and in respect to all children except one in other cases. . . . . For widows with the care of dependent children there would be a guardian benefit in addition to children's allowances adequate for subsistence without other means. . . . ." *Ibid.*

Mr. White: Apparently it recognizes the housewife as a producing member of the community.

Mr. Krueger: Before we get too far away from this medical question, does the proposal of the Beveridge Plan socialize medicine in Great Britain?

Mr. Jacoby: Beveridge rather dodges that question. He's not very plain about it. I would gather, however, from a preliminary study of this report (and, after all, it just came to our desks here a few days ago), that Beveridge contemplates that a certain minimum of medical and hospital care will be provided by the state, which implies that a large percentage of doctors are going to be working for the state as civil-servants and not in private practice. But it also implies that an individual, if he wants more than that minimum, can go out and get a specialist to look after him or get consultation.

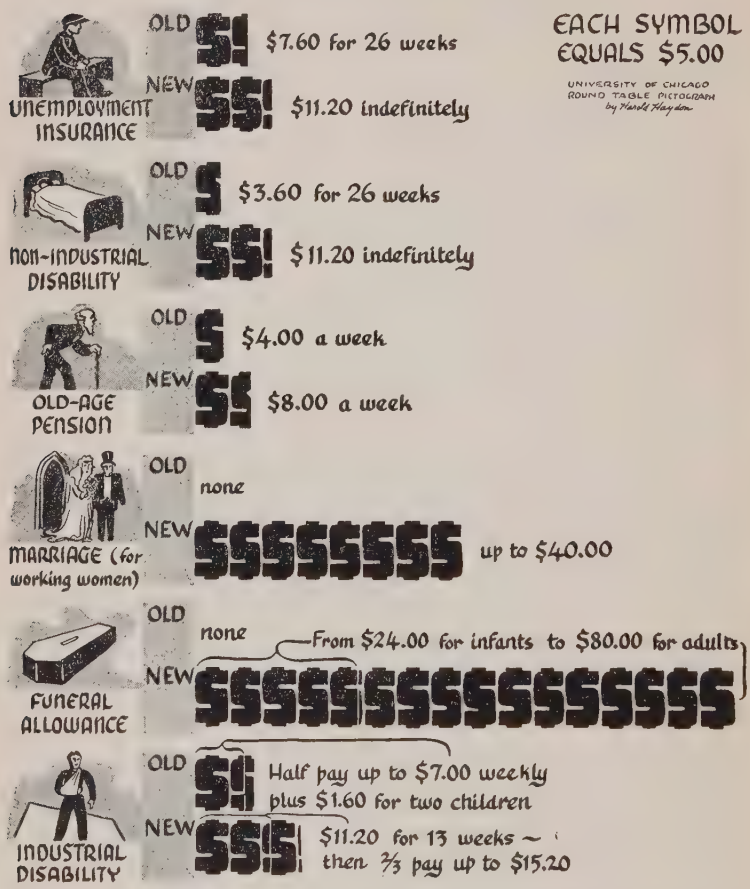
Mr. Krueger: I think that the Beveridge Plan would almost socialize medicine. It would socialize the provision of a minimum—a standard minimum of all kinds of medical care. All that would remain as private medicine would be the efforts that people would make to get more medical care or better medical care than the national plan provided. But that would mean, I think, that at least 90 per cent of the medical profession in England would be socialized.

Mr. White: I'd agree with you on that.

Mr. Krueger: In summary, the Beveridge Plan not only covers everybody and covers almost all the hazards, but the Beveridge Plan also does some other things.

It gives people these benefits without establishing the necessity for them in each individual case because they have a right to them. Nobody has to prove need. It establishes a national minimum below which nobody's allowed to fall and does that at a flat rate, regardless of people's income. It jacks up the rates of social security benefits considerably above what they have been in England and

FAMILY ALLOWANCES INCREASE UNDER BEVERIDGE PLAN*



* This example is a sample British family of four (*Christian Science Monitor*, December 3, 1942).

above what most of them are in the United States. It centralizes the administration of the whole social security scheme, instead of scattering it all over several different ministries. It does all that on

the basis of a financing scheme under which the state and the employer and the individual share in paying the cost of the proposal. Is that a fair summary of the plan?[9]

MR. WHITE: Yes, I think that it is. It contrasts very sharply with what we have in the United States at the present time. We can list very briefly what we have here. We have unemployment insurance. We have old-age and survivors' insurance. We have workmen's compensation. Then we have several kinds of public assistance. The public assistance, of course, is paid on a needs basis to a very limited number with a very small subsistence provided.

The British Plan would cover many other hazards than those. One of the interesting things, as you said, is that the British Plan would cover the whole population irrespective of income.

MR. JACOBY: Another point, too, is that the British Plan pays unemployment compensation indefinitely, whereas our present unemployment compensation laws provide assistance only for, at most, half a year—some states only one-quarter of a year. But one can get on relief in Britain and get this unemployment compensation as a matter of right for years on end, until he gets a job.

MR. KRUEGER: What is your evaluative reaction, Mr. Jacoby?

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[9] ". . . . In relation to social security the population falls into four main classes of working age and two others below and above working age, respectively:

Class 1—Employes, that is, persons whose normal occupation is employment under contract service.

Class 2—Others gainfully occupied, including employers, traders and independent workers of all kinds.

Class 3—Housewives, that is, married women of working age.

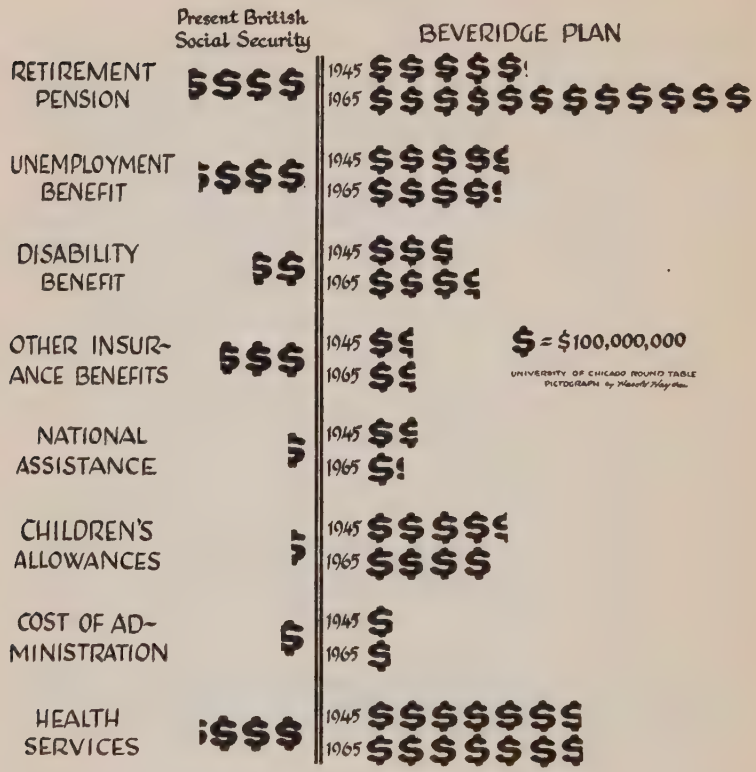
Class 4—Others of working age not gainfully occupied.

Class 5—Below working age.

Class 6—Retired above working age.

"The sixth class would receive retirement pensions and the fifth would be covered by children's allowances paid from the Exchequer in respect to all children when a responsible parent is in receipt of an insurance benefit or pension and in respect to all children except one in other cases. The four other classes will be insured for security appropriate to their circumstances. All classes will be covered for comprehensive medical treatment and rehabilitation and for funeral expenses." *Ibid.*

WHAT THE BEVERIDGE PLAN WOULD COST



What do you think of the whole line represented by the Beveridge Report?

Mr. Jacoby: To me the report raises some very grave questions. Let's look, for a minute, at this matter of cost. The Beveridge Plan contemplates the annual expenditure, if it went into effect in 1945, which the plan assumes as a possible first year, of about seven hundred million pounds. In United States' terms, as nearly as we can translate it, that means a nine-billion-dollar-per-year social se-

curity program, or something around eight or nine per cent of our national income. If we adopted the Beveridge proposal in this country, it would mean something like (and this is very rough calculation) a doubling of our total social security costs.[10]

When one contemplates a plan of that immense magnitude, one surely thinks of some important questions, such as the proper scale of benefits that people are entitled to as a matter of right. In other words, what is the national minimum in relation to what a man can earn in employment?

MR. KRUEGER: What kind of a criteria would you lay down for that? Are there any principles you can go by in determining how high a publicly maintained national minimum ought to be?

MR. JACOBY: Yes, I think that there are. I don't think that one gets very far in answering that kind of a question by saying, "Well, under the Beveridge Plan a man and his wife get two pounds, or eight dollars, a week if they fall out of a job." The point is how much benefit will a person get in old age or in unemployment or in sickness in relation to what he can earn if he's employed. I say that the principle to follow is that he must get enough less as an unemployed person in order that he retain an incentive to move to another area, or to train himself for another job, or to get out and find employment. Otherwise, one destroys incentive.

MR. WHITE: In this country we have some special problems because our country is geographically much greater than Britain. Actually, in some parts of the country the cost of living is a good deal less than it is in some others.

MR. KRUEGER: Beveridge recognizes those problems, even in England, where the problem isn't as severe as it is in the United States.

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[10] This figure compares to war costs as follows:

Since December 9, 1941, when Congress declared a state of war with Japan, the U.S. Treasury has reported $46,393,890,525 spent on war activities alone up to December 5, 1942. Current war expenditures are running at the rate of about six billion dollars a month.

Mr. Jacoby: You've mentioned a very important point there, Mr. White. We cannot adopt the Beveridge Plan "holus-bolus" here. Britain is a small, compact country, without the differences in climate, without the tremendous differences in geography and different scales of living, different costs of living. It costs a lot less to live in California than in Illinois. Therefore, I think that we'd have to retain a lot of local autonomy—state autonomy—over a relief policy, which in Britain might well be delegated to a national government.

Mr. White: That could be recognized, couldn't it, through the wage scale pretty well? Benefits could be paid on a percentage of wages rather than a flat benefit, couldn't they?

Mr. Jacoby: It could be, but the trouble is that the unions always argue for a national wage scale.

Mr. Krueger: I don't mind paying benefits on the basis of the wages that people have gotten if that doesn't outlaw the establishment of the national minimum. That national minimum proposal below which nobody is allowed to fall seems to me to be such an essential part of the Beveridge proposal, and such an essential part of people's thinking these days, that that ought to be done in the United States today.

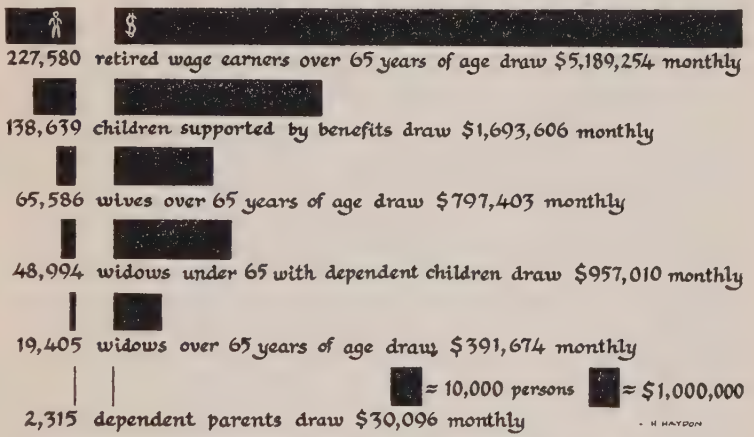
Mr. White: Yes, but the national minimum has to be stated in terms of food, clothing, and shelter, and not in terms of the dollars one gets.

Mr. Krueger: That's right, and it can be done that way.

Mr. Jacoby: Let's look directly at this question, which I think is one of the most fundamental in the field: What should be the role of social security in the American economy?

To take a first stab at that, I should say this: That I would accept the principle of the Beveridge Report, that the state should provide a minimum compatible with decency and health, but that social security should not attempt, as one of its functions, to redis-

WHO RECEIVE SOCIAL SECURITY PAYMENTS*



* Figures for pictogram from *The Saturday Evening Post*, July 18, 1942. According to R. Clyde White, the following are average monthly benefits in the United States:

Old Age and Survivors Insurance, July, 1942:

Primary	$22.91
Wife's	12.22
Child's	12.20
Widow's	20.17
Widow's Current	19.54
Parent's	12.98

Railroad Retirement Annuity, August, 1942, average $65.58.

Public Assistance, August, 1942:

Old Age	$22.26
Blind	26.24
Dependent Children	14.34

tribute income—that the raising of income at the low end of the scale ought to be a matter of individual opportunity and incentive.

Mr. White: I think that in general I would agree with that, but I would like to state what seems to me to be the function of social security in the social order, in different words. It seems to me

that what social security measures do is to provide a scheme by which one mitigates the effects of the hazards one can't avoid at the present time.

Maybe in the future we can cut down unemployment, and, therefore, we won't need so much unemployment insurance. But now we've got to provide for unemployment. We have to provide for some kind of benefits during sickness. If we do not provide a longer term of unemployment insurance, for example, we have people running out of benefits.

In Detroit, about two years ago, 46 per cent of the people who were getting benefits exhausted their rights before they got a new job. That means that we haven't extended the duration of benefits long enough and that we did not mitigate the effects of the unemployment.

MR. KRUEGER: You're interested not merely in mitigating the effect of risks until they can be avoided, or because they can't be avoided, but in mitigating the effects of those risks which it isn't even desirable to avoid.

When a woman has a baby, for example, that's not a hazard that it's desirable to avoid. It ought to carry a benefit—a cash payment, sufficiently great that having a child would not press any family down into a poverty level.

MR. WHITE: Certainly. One can't do much about old age, either. One just naturally gets old.

MR. KRUEGER: That's right, and social security has to take care of those matters.

Mr. Jacoby says that social security shouldn't be mixed up too much with redistribution of real income. I think you're wrong on that. I'd put it this way: The reason one needs social security provisions is that a great many people have incomes too low to allow them to take care of those problems themselves. Therefore, if, by social security, one is going to solve that problem at all, social security must necessarily involve redistribution of income. The more

redistribution the better the job it will do, providing social security.

MR. JACOBY: I disagree wholeheartedly with that statement or that formulation of the problem. I concede that inevitably any scheme of social security that is financed in part by government contributions (one-half of the British scheme is financed by government contribution and the other half by the employer and the employee)—any scheme that involves a government contribution—necessarily involves a redistribution of income because you're taking from some persons what you're not giving back to them.

But I say that that redistributional effect ought to be distinctly secondary to the problem of providing the national minimum; that if we're going to keep private enterprise alive in this country and give some scope for individual initiative and incentive, we must let the raising of the living standard be a matter of individual productiveness. What we should do is to provide the opportunities whereby people in the lower living scales can raise their living standards. I would say that we have been derelict in not providing those opportunities.

MR. WHITE: You have to redistribute some income, and I agree that it's incidental to the main purpose of social security. One can't finance social security without some redistribution, but that's a means to an end rather than the end itself.

MR. JACOBY: Even Beveridge himself recognizes that. He doesn't say that "I'm going at this thing primarily as a method of redistributing income."

MR. KRUEGER: I agree with you that redistributing the income is a problem, and something ought to be done about it.

Do you think that it is fair to say that social security in general merely distributes the burdens of these risks rather than tackling the causes of those risks?

MR. WHITE: I think that in some respects it does distribute the burden, and it may or may not tackle the causes. But I

think that health insurance and invalidity insurance and accident insurance tackle the cause because safety education goes along with accident insurance; medical care and medical research go along with health insurance. It has in other countries and would in this country. So, I don't think that they are necessarily contradictory.

MR. KRUEGER: Isn't it primarily with the unemployment problem that that question arises, whether social security tackles the problem or merely spreads the cost of it?

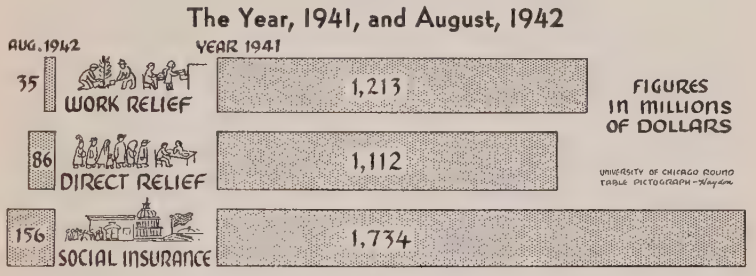
MR. JACOBY: It is, and in answer to your question I would say that the provision of a national minimum, which, as I mentioned before, ought to be low enough so that it still leaves incentive to get work and to move and to make adjustments, can actually solve one of the causes of unemployment, because it may increase the productivity of the worker by relieving him mentally from the strain of feeling that later he may be in dire poverty and distress. If he knows that he has a minimum, he may work more effectively and thereby stabilize his employment.

MR. WHITE: There's one other matter, it seems to me. He is assured of a certain portion of his regular income, with which he helps to keep consumer goods moving from the shelves, which keeps somebody else from getting unemployed.

MR. JACOBY: Yes. A well-conceived scheme of social security would tend to stabilize consumer spending and iron out this business cycle that we're suffering from.

MR. KRUEGER: I think that you're overdoing that business of incentive, Mr. Jacoby. The problem with people of low incomes is not incentive to increase their standard of living. The problem there is to give them the level that they can stand on to start with and then provide the opportunity. But let's not overdo the incentive too much.

A couple of hundred years ago an old Englishman said that it was obvious to all right-thinking men that the poor must be kept



poor or they would not be industrious. I think that that idea needs definitely to be thrown aside and that we might just as well forget the notion that poverty is an incentive to an improvement in condition. It operates in the opposite direction.

MR. JACOBY: We've long since forgotten that.

MR. WHITE: I think that even capitalism has disproved that argument.

MR. KRUEGER: Let me put another question to you that inevitably arises. It's arising in England now, and this question may split the British Cabinet: Does the Beveridge proposal for expanding social security imply the necessity of a planned economy?

MR. JACOBY: I think not. As I read the Beveridge Report, it is predicated on the supposition that private, free enterprise will continue to be the basis of the British economic system. It's true that it will destroy private enterprise to some extent in medicine, in that more doctors are going to be civil servants. It's true, also, that it's going to destroy a lot of private insurance.

MR. KRUEGER: Particularly industrial insurance, which ought to be destroyed anyhow.[11]

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[11] Industrial insurance was criticized in the Temporary National Economic Committee 1939–41 studies. Criticisms were based on protracted hearings am-

Mr. Jacoby: It will destroy both industrial insurance and casualty insurance. But even those two industries I don't think will be totally destroyed. After social security came to this country in 1935, the insurance companies sold more policies than they ever had before. Why? Because people were more aware of the problem.

Mr. White: A planned economy, after all, is a relative term. We've been increasing the amount of planning for an awfully long time, and the probability is that the effects of this war are going to make more planning inevitable, whether the Republicans, the Democrats, or the Socialists are in power in this country.

Mr. Krueger: You'd say, then, that the adoption of the Beveridge Report, either in England or in the United States, would increase the degree to which the economy is a planned economy?

Mr. White: I think inevitably so.

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plified in the T.N.E.C. monograph prepared by Gerhard A. Gesell and Ernest J. Howe. They reported that there are about 90,000,000 industrial policies in force in America held by about 50,000,000 persons. In the period 1928–37 the companies wrote and revised 193,714,338 policies but the lapse rate was so high that at the end of the period the total gain of policies was 6,635,400. In that period, the report says that over 20 per cent of the policies "terminated by surrender" and 70 per cent of the policies "lapsed." They conclude, in part: "Industrial insurance continues to exhibit the same inherent evils: high-pressure salesmanship, excessive lapse, extravagant cost, and finally, over-selling and uneconomic distribution of policies in the family. . . . . The conclusion is inevitable that industrial insurance has failed to fulfill its essential purpose."

". . . . One of the most devastating sections in the Beveridge Report was Appendix D, 'The Problem of Industrial Assurance,' wherein Sir William exposed the costliness of industrial life insurance. In 1939 there were 103,000,000 industrial policies in force, or nearly three per head of the population. Premiums received were over £70,000,000 ($280,000,000), of which expenses and management took up £24,000,000 while shareholders' dividends amounted to £1,750,000 ($7,000,000). The handling of these vast businesses is done by 65,000 agents, many of them 'penny-a-week men' touting and receiving small payments throughout the country. In 1938 men & women receiving unemployment relief were paying £1,750,000 ($7,000,000) yearly as premiums on life, death and endowment policies. In each of the last three years before the war about 10,000,000 policies were issued, of which about 6,750,000 ended prematurely each year. More than half were forfeited completely." From *Time*, December 14, 1942.

Mr. Krueger: I think that that's true, but it raises a very important point which I think is going to bother a lot of people. I am not at all sure but what it is too late to consider social security as any basic answer to any problem.

Mr. Jacoby: I did not say that it was a basic answer.

Mr. Krueger: I'm a little bit afraid, along with Mr. Jacoby, that people will be content with social security arrangements and will not then do enough about taking positive action to eliminate the causes of unemployment. Beveridge counts on eight per cent of the working population's being unemployed. I don't think that one can tell people that they're fighting a war for a better world in which eight per cent of the total working population is going to be unemployed.

Mr. Jacoby: For once I can agree with you wholeheartedly.

Mr. Krueger: I thought I'd surprise you with that.

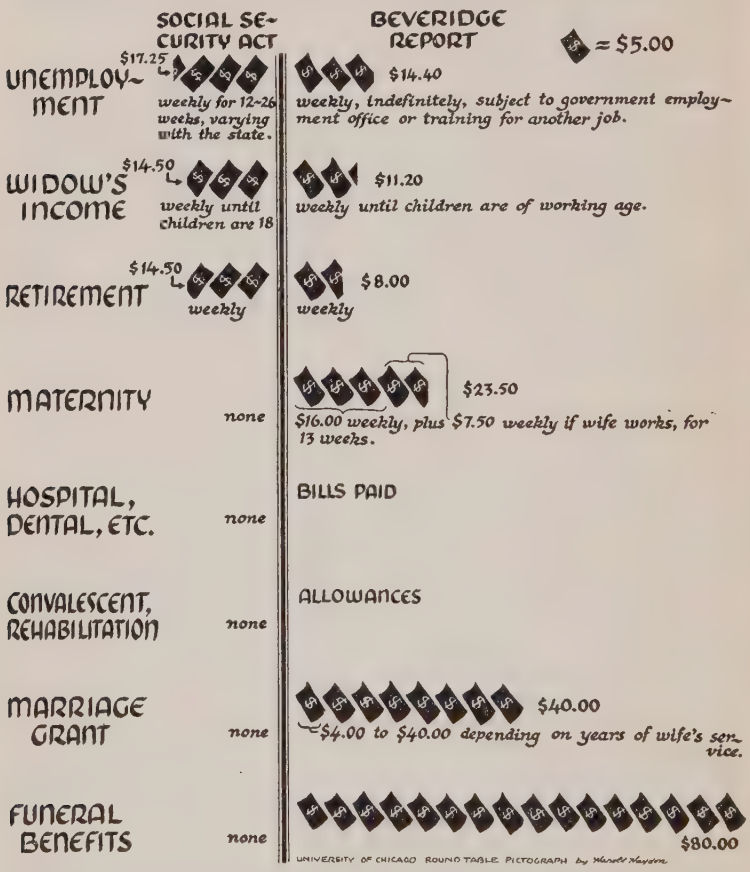
Mr. Jacoby: The danger is that people are going to interpret bigger and better social security measures as cures for our problem of unemployment. So distinguished an observer as Harold Laski has recently said that the report meets the passionate demand of the armed forces for safeguards against mass unemployment after the war—which it does nothing of the sort.

Mr. Krueger: It does provide safeguards against the want that arises from mass unemployment, but it doesn't do anything to prevent mass unemployment. No social security scheme can possibly stand up unless that problem is tackled.

If there were time to discuss that problem Mr. Jacoby and I would disagree on which direction to move in order to solve that unemployment problem. I don't think it's going to be done without far more of a change in the whole private property structure.

Mr. White: I think that you have to return to the proposition that I made a while ago—that social security is going to mitigate the effects of these things; it's not going to prevent any of them.

SOCIAL SECURITY ACT VERSUS PROPOSED BEVERIDGE PLAN*



* This comparison on certain items is based *for* the Social Security Act on a married man with two children, 20 years' employment and an average salary of $150 per month (*Christian Science Monitor*, December 12, 1942).

MR. KRUEGER: Let me put one more question to you: How much of the Beveridge Plan do you think the United States ought to go in for?

Mr. Jacoby: I think that the United States certainly ought to consider socialized provisions for health insurance. I think that the war has made us far more aware of that problem. If I were to pick out one element, I'd say that's it.

Mr. Krueger: This question that we've been discussing is a "hot" one in England. It's going to be a "hot" one in the United States very shortly, because on the President's desk now there is a report from the National Resources Planning Board, which is soon going to be released, and it may be thrown into Congress as a bill for the revision of the American social security scheme.

We're agreed that more people have to be covered; that more risks have to be covered; and that public responsibility for a national minimum has to be established.

We disagree on the importance of the incentive question. We disagree somewhat, I think, on the degree to which there ought to be centralized administration rather than various state plans. While we're agreed that there ought to be positive action to prevent unemployment instead of merely social security to spread the cost of it, we're disagreed, also (as we're likely to remain for some time), as to just what kinds of positive action would prevent unemployment.

SUMMARY OF THE CHANGES RECOMMENDED BY THE BEVERIDGE REPORT

Reported by U.S. Social Security Board

The present system of social security in Great Britain:

- A national system of unemployment insurance administered by the Ministry of Labor.
- A health insurance plan with medical services limited to the wage earner and limited to the medical services of the general practitioner, administered by the Ministry of Health through Approved Societies with respect to cash benefits and County Insurance Committees for medical benefits.
- Old-age, widows and orphans insurance administered by the Ministry of Health with payments made through the Post Office.
- Non-contributory old-age and blind pensions, administered by the Commissioners of Customs and Excise through the Post Office.
- National assistance to needy individuals, administered by the Assistance Board; and
- Workmen's accident compensation, administered by the Home Office.

The Beveridge Report recommends:

- Unification of social insurance contributions by enabling each insured person to obtain all benefits by a single weekly contribution.
- Unification of social insurance and assistance by establishing a Ministry of Social Security with local offices within reach of all persons.
- Reorganization of the present system of Approved Societies (which provide cash sickness benefits) by limiting such societies to disbursing cash benefits as the agent of the Ministry of Social Security and to providing voluntary insurance to supplement the social security benefits.
- Reorganization of the present system of workmen's accident compensation by including it in the unified social insurance system.
- Establishment of a comprehensive medical care service for every citizen.
- Provision to *all* women of a marriage grant (up to $40), maternity grant ($16), widows benefit ($7.20 per week for first 13 weeks, and $4.80 per week thereafter if the widow has a child in her care), retirement benefit (initially $2.80 per week, eventually $4.80), unemployment or disability benefit ($3.20 to $4.80 per week), and if gainfully occupied, a special ma-

ternity benefit ($7.20 per week for 13 weeks in addition to the maternity grant).

- Extension of insurance against prolonged disability to all persons gainfully occupied and of insurance for retirement pensions to all persons of working age, whether gainfully occupied or not.

- Provision for an unemployment training benefit to all persons (workers, self-employed, housewives) for 26 weeks in order to encourage persons who lost their former livelihood to obtain reemployment.

- Provision for uniformity of weekly benefit payments for unemployment, disability, and retirement.

- Simplification and unification of the eligibility conditions for social security benefits.

- Making unemployment insurance benefits payable at $8 per week for a man and wife, or $4.80 for a single man or woman, for an unlimited period, subject to the requirement of attendance at a work or training center after a limited period of unemployment.

- Making the disability benefit payable (at the same rate as unemployment insurance) for an unlimited period.

- Making old-age benefits conditional on retirement from work at a basic rate of $5 a week for man and wife (increasing every two years until it reaches $8 by 1965), and $2.80 a week for a single individual (reaching $8 and $4.80 respectively by 1965), these basic rates to be supplemented by 20 cents a week for each year an individual postpones his retirement after age 65 for men and 60 for women.

- Amalgamation of the special unemployment insurance systems for agriculture, banking, and insurance within the general scheme of social insurance.

- Abolition of the present exemptions from insurance such as public employees, and persons with incomes over $1680 a year.

- Replacement of unconditional, inadequate widows' benefits by provisions suited to the varied needs of widows, including temporary widows' benefits, training benefit when required, and a guardian benefit so long as there are dependent children.

- Inclusion of a universal funeral grant in compulsory insurance of $80 for an adult, $60 for persons age 10–20; $40 for children age 3–9, and $24 for children under age 3.

- Transfer to the Ministry of Social Security of the remaining functions of Local Authorities with respect to public assistance, other than treatment and services of an institutional character.

- Conversion of the industrial (life and burial) insurance into a public service under an industrial Assurance Board.

MORE ON THIS TOPIC

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